



Remarks For

The Hon. Steve Preston  
Administrator  
U.S. Small Business Administration

Delivered At The

**ICCC ANNUAL EVENT**

Chicago, IL

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Thank you, David, for that nice introduction.

I'm happy to be back here in Chicago. This was my home for many years before President Bush asked me to come to Washington to lead the Small Business Administration. I can't think of a better place here in the heart of our country to hold this event.

I'd also like to thank Bank of America for co-sponsoring this event. For the last ten years, Bank of America has made more loans than any other SBA lender, and we are thankful for their partnership and their strong commitment to America's small businesses.

I am thrilled to be here in a place that is so full of possibilities. Among all of you entrepreneurs who are taking risks and making sacrifices to realize the dream of owning your own business – and hopefully seeing it grow to become significant not only for yourselves, but for the employees, customers, and communities it affects.

Among the investors who know the excitement of being an important contributor of capital and other support to emerging businesses – but who also know that they are in a room full of opportunities to invest, where the return in the form of lives affected may far exceed the financial return your investors see.

We are here because of our desire to be a partner with ICCC in helping investment capital get to growth companies in our inner cities.

Partnerships are vital to the SBA. We enable small business success:

- by guarantying loans to small businesses so that private lenders can extend capital further;
- by funding Small Business Investment Companies, or SBICs, which are private venture capital firms that invest in small businesses;
- by providing counseling and technical assistance through our resource partners;
- and by helping small businesses compete for federal contracts with federal agencies.

In all of these products and services, we rely on our partners because they are the ones around the country investing in, mentoring, and purchasing from entrepreneurs. We succeed when our partners succeed. This is why we're always working to improve and expand our partnerships, particularly those that help us enable companies located in communities with high unemployment and poverty – our underserved markets – many of which are located in our inner cities.

That's why we are thrilled to be a partner with ICCC. ICCC serves a vital function in connecting companies together with sources of growth capital they need. As everyone in this room knows, capital is like oxygen to a business – especially when it is starting up or when it is going through a

critical growth phase. And it is in those growth periods that we see investments in expansion made, jobs added, and competitive gains made.

So often we hear that when a small business is at this point - when it is viable and ready to break out to the next level - that they have a challenge getting capital. It is also at that time when they need advice, an expanded network, and financial expertise – which the right private equity firm can provide. Access to capital can bring with it access to insight, to networks, to best practices, and to discipline that may accelerate a firm's success.

This is why ICCC has so much potential, and why we are eager to help bolster its success. We can do this by reaching out in our networks to connect with entrepreneurs and investors to let them know about this event.

First, we're designing a program that would compliment ICCC by preparing inner city companies for this kind of matchmaking event. It's called the SBA Emerging 200, and it will accelerate the growth of emerging inner city companies from 10 different pilot cities that show strong potential.

These companies would be run through an intensive curriculum that will include technical assistance and mentorship, with a focus on growth strategies and pursuing growth capital. Entrepreneurs will have the

opportunity to be paired with mentors and to attend workshops and develop connections with banks and the private equity community. We're working with ICIC to leverage their expertise in designing the program and selecting the cities. The program should be in place early next calendar year.

We can also work to find other companies through our 68 district offices and networks around the country that would be candidates for ICCC.

Second, the SBA has a strong network of 369 Small Business Investment Companies, or SBICs, nationwide, most of which receive funding from the federal government. We can tap into this network to increase awareness of ICCC and the great opportunity that it presents.

SBICs are privately managed, SBA-licensed investment companies that usually receive government-backed long-term loans. These investment firms often have a different approach than other venture capital firms. SBICs invest in companies in a wider range of industries and geographies than comparable private venture capital firms. They make important contributions in extending financing to companies that may not find it elsewhere.

There is a reason we are so interested in seeing inner city entrepreneurs succeed. Growing your business is not only important for you, and your

families, but also for your employees, your communities, and for America. Successful small businesses create jobs, they create wealth, and they become the economic backbone of a community and an important door of opportunity for Americans who may not find it elsewhere. They also drive innovation that keeps America competitive and are a growing source of exports.

Small businesses create between 60 and 80 percent of net new jobs in our country every year. They also account for half of non-farm GDP and half of private sector employment in the United States. In inner cities, the importance of small businesses is magnified because they account for about 80 percent of employment.

Where we see small businesses succeeding, we see the kind of strong economic foundation that supports a vibrant community. We see more economic opportunities, which fuel a greater sense of optimism. And we see an even greater force at work: ownership – having a vested stake in something you want to see succeed.

President Bush has worked tirelessly to promote ownership in our country, whether it's a home or a business because, as he has said:

*“...if you own something, you have a vital stake in the future of our country. The more ownership there is in America, the more vitality there is*

*in America, and the more people have a vital stake in the future of this country."*

And so importantly, a vital stake in our communities. You all know this, because you see it at work every day – either within yourselves, or in companies you invest in. To a small business owner, their vision, their goals, and their heart are all wrapped up in making that business a success. It's not what they do; it's who they are.

I strongly believe in the power of entrepreneurship to transform distressed communities. This has inspired me personally to focus the SBA's efforts on nurturing entrepreneurship in communities that need it most. I believe that our ability to drive this positive, lasting change in underserved communities reaches right to the heart of the agency's mission.

We already have a significant presence in supporting entrepreneurs who may not find that support without us.

SBA's guaranties are already helping the lending community reach underserved markets. In the 2007 fiscal year, we approved more than 39,000 loans for more than \$7.5 billion to companies in underserved areas – that's more than one-third of all loans we approved, and it's growing faster than our programs overall.

Approximately 15 percent of our approved loans in the last fiscal year went to inner city areas, as defined by ICIC.

In addition, a soon-to-be released study finds that the dollar volume of SBA-backed loans to minority-owned businesses was five times greater in relation to overall dollar volume than conventional small business loans. It was five times greater to start-up companies, and eight times greater to women-owned businesses. This is roughly the profile of businesses that reported a capital opportunity gap and the study shows we were a significant filler of that gap.

We don't want to duplicate or supplant the private sector. We have the deepest capital market in the world. Today's event is a great example of that. Our products enable the private sector to reach further in ways which benefit viable entrepreneurs that have difficulty getting access to capital.

Our effort to bolster entrepreneurship in underserved markets also touches all of our programs.

- We're reforming our loan programs to encourage the private sector to extend capital further into underserved markets;
- We're expanding the delivery of our counseling and technical assistance through new partnerships and programs, like the SBA Emerging 200;



- We're improving our government contracting and business development program to help able disadvantaged businesses compete for more federal contracts.
- And we have established clear performance goals across the agency to support these programs.

The improvements that we make reflect the needs of both entrepreneurs and our partners. It's essential that we effectively serve our constituents, who are entrepreneurs and small business owners, and also that our partners find us easy to work with. These two go hand in hand: to the extent that we offer products that really attract our partners to utilize them, we can set more ambitious goals for reaching small businesses.

One of the great parts about this job is that I have the opportunity to meet hundreds of small business owners and hear about their vision, their passion, their ideas and their concerns – then I get to do something to help them.

Small business owners don't just have a big job – they have many big jobs because they need to wear so many hats – CEO, head of sales, copy machine operator. As a result, it's tough to lift your head out of the daily battles you face.

But I am here to remind you that you are part of the great force of entrepreneurship in America that fuels much of our country's greatness. 25 million small businesses combine to drive our economic engine and to keep it vibrant, adaptable, and competitive. And in your case, it is also the force that can change the game for people living in communities in our country where opportunity has been in short supply.

Thank you for your vision, your commitment and your willingness to take risk. Make this session today count.

And to the investors in this room, if your not already, get infected by the promise of what your dollars and other contributions can enable – it goes far beyond the return your investors will see.